

**Fiscal Soundness Reporting Requirements (FSRR)**  
**Frequently Asked Questions and Answers**

- Q1. What types of organizations must report under Fiscal Soundness Reporting Requirements (FSRR)?
- A1. **All new or renewing organizations that have a contract with CMS and are currently serving Medicare Beneficiaries during 2009. These include: Medicare Advantage Organizations like CCPs, PFFS, MSAs, as well as all 1876 cost, and all PACE organizations.**
- Q2. When are the independently audited financial statements due to CMS?
- A2. **All renewing Medicare Advantage (MA) organizations in 2009 must provide CMS with their independently audited financial statements for year ending December 31, 2008 and 13 financial data elements (taken from the audited statements) through the Health Plan Management System ( HPMS) no later than April 30, 2009. (Please refer to Q & A 4).**
- Q3. Does my organization need to submit an independently audited financial statement if it has not previously contracted with CMS, or is new in 2009?
- A3. **Yes, new Organizations in CY 2009 must provide through HPMS the following financial information no later than April 30, 2009:**
- **If the new Organization has six months or more of operations (i.e., Commercial, Medicaid) in the prior year, it must upload into HPMS a PDF of its 12/31/2008 independently audited financial statements and 13 financial data elements.**
  - **If the new Organization has four to six months of operations, the applicant must upload into HPMS a PDF of its National Association of Insurance Commissioners (NAIC) Annual Health Blank and 13 financial data elements.**
  - **If the new Organization has at least three months or fewer of operations, the applicant must upload into HPMS a PDF of its most recent Quarterly NAIC Health Blank and 13 financial data elements.**
  - **In addition to the above, if the organization is in financial distress at the time of the review, a financial plan may be requested of the applicant demonstrating how it would reach break-even.**

Q4. What are the 13 financial data elements that CMS is requiring Organizations to submit?

A4. CMS is requiring the following 13 financial data elements for 2008:

	<u>2008</u>
1. Net Worth	
2. Total Assets	
3. Cash & Short-Term Investments	
4. Long Term Liquid Investments (Bonds)	
5. Total Liabilities	
6. Total Claims	
7. Total Revenue	
8. Total Expenses	
9. Total Medical and Hospital Expenses	
10. Total Administrative Expenses	
11. Net Income	
12. Cash Flow from Operations	
13. Total Member Months	

Q5. What is a National Association of Insurance Commissioners (NAIC) Health Blank?

A5. A NAIC health blank is a detailed financial report format required by the Organization's State Department of Insurance. Specifically, this format includes the organization's balance sheet, income statement, statement of cash flow, premiums and investments schedules, claims information, etc. For further information regarding your State financial reporting obligations and frequency and timing of your filing requirements, please contact your State Department of Insurance.

Q6. What is a Financial Plan and under what circumstances would my organization be required to file a plan?

A6. A Financial Plan is a 3 year projection of an organization's financial statements (balance sheet, income statement, and statement cash flow) accompanied by descriptive and verifiable assumptions, and a projected date of break-even. Note: Break-even is defined as two successive quarters of net income. An organization could be asked by CMS to submit a financial plan for several reasons: (i) financial distress, (ii) two successive years of net loss, and/or (iii) a state administered corrective action plan as a result of fiscal soundness shortfalls.

- Q7. What is meant by descriptive and verifiable assumptions with respect to the financial plan?
- A7. **Descriptive: an analyst should be able to reach the same numbers using the assumptions alone. Verifiable: there is source data available to support the numbers used to develop the projections.**
- Q8. To whom do I send my independently audited financial statements?
- A8. **All independently audited financial statements must be submitted in a PDF or zip file to the financial reporting module within HPMS. Further, CMS is requesting the input of 13 financial data elements within HPMS (see Q and A 4 above).**
- Q9. What do the acronyms GAAP and SAP stand for and which should be submitted to CMS?
- A9. **GAAP stands for Generally Accepted Accounting Principles. SAP stands for Statutory Accounting Principles. All renewing Organizations in 2009 should submit their independently audited financial statements in the SAP format.**
- Q10. Where do I obtain the SAP instructions and related information?
- A10. **Instructions for preparing SAP financial statements can be found several ways. The most efficient way would be to contact your company's state of domicile insurance department. Another source of information would be to directly contact the National Association of Insurance Commissioners (NAIC) or access the NAIC website, [www.naic.org](http://www.naic.org). This site can be used to address a number of insurance accounting issues.**
- Q11. The figures used in our independently audited financial statements are rounded to the nearest thousand. Should I use this same rounding when I electronically transmit the 13 financial data elements to HPMS?
- A11. **No, Organizations should not round. When you transmit the audited figures that are rounded to the nearest thousand in the financial statements, please add three 000s to the end of the rounded figures when you enter the figure on the data entry screen**
- Q12. How do I contact CMS if I have questions about my independently audited financial statements?
- A12. **You may contact CMS by email at: [FinancialReview@cms.hhs.gov](mailto:FinancialReview@cms.hhs.gov) .**
- Q13. Can I send my independently audited financial statements to CMS in a PDF by email?

- A13. No. For 2008 reporting, CMS is requiring independently audited financial statements be submitted electronically to the fiscal soundness module within HPMS. You must submit your independently audited financial statements in a PDF. Moreover, the PDF must include all pages including any associated letters, opinions, the signature page, etc.**
- Q14. As a renewing Organization, should I stop sending the quarterly financial statements?
- A14. Yes. CMS does not accept paper reporting. However during the course of a fiscal soundness review, CMS may request your organization submit electronically other relevant financial information which could include quarterly reports.**
- Q15. Will any of my organization's financial information be made publicly available by CMS?
- A15. As a rule, CMS does not publish or share proprietary information (except for financial data which is publicly available).**
- Q16. My health plan is part of a larger organization and does not have a separate audit of its financial records. How do I comply with the requirements?
- A16. If the contract is between your organization and CMS and the larger organization is the guarantor, then the larger organization's independently audited financial statements would be sufficient. However, if the larger organization is not the guarantor and the contract is with the smaller organization, then the smaller organization would need to produce the audited information.**
- Q17. Does each H number require a separate reporting?
- A17. Each contract must provide a separate report unless it is part of a consolidated report or part of a larger organization.**
- Q18. Is it necessary to include my organization's "H" or "R" number on the independently audited financial statements?
- A18. Yes. For each contract even if a consolidated report, you must include your organizations "H" and "R" numbers ("H" numbers are Medicare Advantage contract numbers assigned to HMOs, PFFS plans, 1876 Cost plans, PACE organizations, and PPOs. "R" numbers are Medicare Advantage contract numbers assigned specifically to Regional PPOs) on the cover sheet of the independently audited financial statements and any correspondence sent to CMS. If the audit report represents a consolidation of several contracts, please indicate on the cover of the report the various H or R numbers included within the report. CMS cannot process financial reports that do not have an H or R number associated with them.**

Q19. How does CMS determine fiscal soundness?

**A19. The fiscal soundness of an organization is determined by examining several financial measures. Specifically, the organization must 1) maintain a positive net income, 2) ensure there is adequate cash flow and liquidity to meet obligations as they come due, and 3) maintain a net worth that meets the minimum reserve of its respective State.**

Q20. Can I still submit a hard copy version of the independently audited financial statements or any other financial information?

**A20. No, CMS requires a PDF be uploaded to HPMS.**

Q21. Whom should I contact if I have questions?

**A21. You may contact the financial management specialist assigned to your State or Territory and CMS region as follows:**

<a href="mailto:Franklin.Regulski@cms.hhs.gov">Franklin.Regulski@cms.hhs.gov</a>	<b>CMS Region: I. Boston III. Philadelphia IV. Atlanta</b>	<b>States and Territories: CT, ME, MA, NH, RI, VT, DE, MD, PA. VA, D.C., WV, AL,FL,GA,KY,MS,NC,SC,TN</b>
<a href="mailto:Joseph.Esposito@cms.hhs.gov">Joseph.Esposito@cms.hhs.gov</a>	<b>V. Chicago VII. Kansas City VIII. Denver</b>	<b>IL, IN, MI, MN, OH, WI IA, KS, MO, NE CO, MT, ND, SD, UT, WY</b>
<a href="mailto:Yasmin.Galvez@cms.hhs.gov">Yasmin.Galvez@cms.hhs.gov</a>	<b>II. New York VI. Dallas IX. San Francisco</b>	<b>NJ, NY, PR, VI, AR, LA, NM, OK, TX, Am. Samoa, AZ, CA, Guam, HI, NV, No. Mariana Islands</b>
<a href="mailto:Mark.Keller@cms.hhs.gov">Mark.Keller@cms.hhs.gov</a>	<b>X. Seattle</b>	<b>AK, ID, OR, WA</b>
<a href="mailto:Robert.Ahern@cms.hhs.gov">Robert.Ahern@cms.hhs.gov</a>	<b>All Prescription Drug Plans (PDPs)</b>	<b>All States and Territories</b>

Q22. What if I am unable to submit the independently audited financial statements to CMS by April 30<sup>th</sup>?

**A22. April 30 is a set deadline that Organizations need to plan around. However, if your respective state has a different submittal date and you are able to officially demonstrate this, CMS will accept a later filing. With respect to this year's FSRR if you believe you will be unable to submit the**

**independently audited financial statement by April 30<sup>th</sup>, you must contact your financial management specialist prior to the April 30<sup>th</sup> due date.**

- Q23. Is there an electronic financial reporting mailbox?
- A23. As stated above, the electronic filing of reports shall be achieved through a fiscal soundness module within HPMS. All e-mail inquiries and correspondence should come to the CMS e-mail box at: [Financialreview@cms.hhs.gov](mailto:Financialreview@cms.hhs.gov) .**
- Q24. What should I do if I have financial concerns or issues with my State regarding inadequate State reserves, a corrective action plan, or special monitoring by the State regulator?
- A24. As stated in Q21: You would contact the financial management specialist assigned to your State or Territory.**
- Q25. When will the fiscal soundness module in HPMS be released?
- A25. The fiscal soundness module in HPMS is scheduled to be released at the end March 2009.**
- Q26. Why does an Organization need to enter the 13 financial data elements in addition to submitting the required financial information?
- A26. The 13 financial data elements allow CMS to more thoroughly evaluate the organizations' fiscal soundness in a timely manner.**
- Q27. Why is CMS asking for the financial information of a new Organization?
- A27. CMS is asking for the financial information for a new Organization because the developmental phase of a new organization is a very critical time with respect to liquidity, stability and overall fiscal soundness. Given these circumstances, having access to the financial information early will help CMS assure the on-going fiscal soundness of the organization.**
- Q28. If the Organization's State Department of Insurance allows independently audited financial statements to be submitted using GAAP or SAP format, which format should the Organization submit to CMS?
- A28. If the Organization's State Department of Insurance allows either format CMS would prefer SAP. We will accept GAAP if that is the only way you file with your state of domicile.**
- Q29. If the Organization has a fiscal year end instead of a calendar year end, which Independently audited financial statements should the Organization submit?
- A29. The Organization should submit it latest independently audited financial statements using their fiscal year end. For example, a renewing Organization**

**with a fiscal year end of 9/30/2008 would submit the audit report to CMS on or before January 31, 2009 (or 120 days after the end of your fiscal year).**

Q30. Why are 1833 cost plans not required to submit independently audited financial statements to CMS, but 1876 cost plans are?

**A30. Neither the statute nor regulations give CMS authority to impose or enforce fiscal soundness requirements for HCPPs.**

### **PACE Q & A**

Q31. As a new PACE organization I was instructed to submit quarterly financial statements to CMS. What financial statements should I submit?

**A31. PACE organizations are required to submit quarterly financial statements to CMS during the first three years it operates under a PACE program agreement. The financial statements must consist of a balance sheet, income and expense statement, and a cash flow statement and contain cumulative data for the period covered.**

Q32. When are these financial statements due and where should they be sent?

**A32. The quarterly financial statements are due within 45 days after the last day of each quarter of the fiscal year. Since CMS does not accept hard-copy documentation, organizations are required to electronically upload the financial statements to a fiscal soundness module within the Health Plan Management System (HPMS).**

Q33. When does the trial period as a new PACE organization end?

**A33. The trial period ends at the end of the third calendar year following the signing of your contract with CMS. For example, if the effective date of your contract with CMS is 9/30/05 your organization would continue to submit quarterly financial statements to CMS until 12/31/08. Thereafter, only that annual audited financial report should be filed with CMS.**

Q34. When is the annual audit report due to CMS?

**A34. The independent audit report must be certified by a certified public accountant and submitted to CMS no later than 180 days after the fiscal year end. For example, if the fiscal year end is 9/30/08, a certified audit report must be submitted to CMS no later than 4/01/09. Similar to the quarterly financial statements, the annual audit report must be electronically uploaded to the fiscal soundness module within HPMS.**

Q35. Some of the correspondence we receive from CMS references the submission of Health Blanks. Is this a requirement for PACE organizations?

**A35. No, CMS does not require a Health Blank (a National Association of Insurance Commissioners form). Financial statements should be prepared on the accrual basis and in accordance with generally accepted accounting principles.**